

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Investigation into Implementation of Assembly Bill 970 Regarding the Identification of Electric Transmission and Distribution Constraints, Actions to Resolve Those Constraints, and Related Matters Affecting the Reliability of Electric Supply.

Investigation 00-11-001  
(Filed November 2, 2001)

Conditional Application of PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) for a Certificate of Public Convenience and Necessity Authorizing the Construction of the Los Banos-Gates 500 kV Transmission Project.

Application 01-04-012  
(Filed April 13, 2001)

**ADMINISTRATIVE LAW JUDGE'S RULING  
REGARDING FURTHER HEARINGS ON PATH 15 THIS SUMMER  
AND NOTICE OF PREHEARING CONFERENCE AND  
FALL HEARINGS ON OTHER TRANSMISSION PLANNING ISSUES**

On May 15, 2002, I held a further prehearing conference (PHC) to determine the scope and schedule for additional evidentiary hearings on transmission constraints. In referring to the various phases in this proceeding, some of which are being conducted concurrently, I will be using the following "phaseology":

- Phase 1: Transmission Projects For Summer 2001 (completed per D.01-03-077.)
- Phase 2: Southwest Power Link Reliability Need (completed per D.01-10-070.)

- Phase 3: Miguel-Mission/Imperial Valley Economic Need (submitted—issuance of proposed decision pending.)
- Phase 4: Path 15 Economic Need (ongoing)
- Phase 5: Development of Generic Methodology for Evaluation of Economic Need of Transmission Projects (ongoing)

We discussed the status of several transmission projects and the development of a generic methodology for evaluating economic need at the start of the PHC, in order to identify what issues would be appropriate to examine during evidentiary hearings this summer and fall. I provide a brief update on the status of these projects, below.<sup>1</sup>

#### **Path 45**

San Diego Gas & Electric Company (SDG&E) reports that the scope of further upgrades to Path 45 is still not defined in enough detail to develop cost estimates or discuss the environmental review requirements with Energy Division. Studies are underway that should provide enough information to establish the scope of this project. The goal is to complete the studies by August 2002. SDG&E notes that this project relies, in part, on whether the Miguel-Mission upgrade is ultimately approved by the Commission. We will revisit the status of this project at the fall PHC, scheduled below.

#### **San Francisco-Peninsula Area**

The stakeholder group continues to meet to discuss upgrades to the Jefferson-Martin 230 kV line. Pacific Gas and Electric Company (PG&E) plans to file a certificate of public and convenience (CPCN) application at the Commission in September of 2002. The City and County of San Francisco

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<sup>1</sup> See my July 19, 2001 ruling in I.00-11-001 for further background on each of these projects.

expressed interest in seeing that the completion date of the project be advanced to a point prior to the summer of 2005. I directed PG&E to communicate directly with Energy Division staff (contact: Ken Lewis), beginning immediately, on the contents of the PEA to ensure that the document is complete by the time it is filed. As discussed at the PHC, PG&E should also contact communities in the area of the proposed line and communicate with them about the project, without delay.

PG&E should file its CPCN request in September by separate application, with notice of its availability on all appearances and the state service list in this proceeding. A complete hard copy of the CPCN application should be served on Energy Division and any party requesting one in response to the notice.

#### **Greater Bay Area**

This project continues to be in the early stages of planning, and is not a candidate for summer or fall hearings. We will revisit the status of this project at the fall PHC.

#### **Techachapi**

Southern California Edison Company (SCE) has conducted an initial phase of the conceptual study that has been paid for by wind developers, and is in the process of developing a second phase study that will narrow the scope down to specific projects that are more likely to be built. There have been no final arrangements made on which developers will participate in this second phase study. Any further evaluation of the alternatives that were identified in the initial phase study will depend upon the specific location of the wind projects developed in the area. SCE anticipates that it will know which wind developers plan to participate in (and fund) the second phase study by the middle of June. SCE will provide that information to me, with service to all appearances and the state service list, in the form of a status letter. The status letter should describe

the scope of the second study and the participants. SCE is seeking agreement from the wind developers to release the initial conceptual report to the public. In the meantime, a copy has already been forwarded to Energy Division. We will revisit the status of this project at the fall PHC.

### **Southwest Power Link**

SCE indicates an interest in evaluating transmission upgrades from Southern California to Arizona based on economic need. This would be a longer-term project, perhaps considered sometime during 2003, once the generic methodology for evaluating such projects has been evaluated and approved (see below).

### **Path 26**

The California Independent System Operator (ISO) submitted a status report on the assessment of options to upgrade Path 26 on December 13, 2001, and provided an update in its prehearing conference statement. It is evaluating both short-term and long-term options. The short-term options would add between 250-400 MW of transfer capability and include tripping generation and bypassing some of the series capacitors on the Midway-Vincent 500 kV #3 line. The ISO is also evaluating longer-term options to increase the capability of Path 26 by approximately 1000 MW.

A study of the reliability aspects of the short-term options is underway and will be submitted in the form of a report to the Western Electric Coordinating Council (WECC). An economic assessment of both the short-term and long-term options for upgrading Path 26 is being considered as a test case for the generic methodology to assess the economic benefits of transmission upgrades (see below). Reliability-related studies for the long-term rating increase will be completed after the economic need is determined.

The ISO should file copies of all reports on these options, including the reliability reports to the WECC, in this proceeding with a Notice of Availability to the appearances and state service list. A hard copy of the reports should be sent to me and Xuguang Leng of the Energy Division.

Further consideration of this project will be addressed during evidentiary hearings on the generic methodology, as discussed below.

**Path 15 (Phase 4)**

Per my ruling dated December 28, 2001, the Commission's consideration of the economic need for this project began with an evaluation of the economic benefits associated with the stand-alone project, i.e., without consideration of how project participation was structured. Evidentiary hearings have been held, and briefs filed, on this aspect of economic need. An expedited review of final project costs and the allocation of costs and benefits is to commence once the Commission receives more details on the specific implementation arrangements among project participants.

On April 30, 2002, the Western Area Power Administration (WAPA) filed a letter agreement at the Federal Energy Regulatory Commission, describing who will own the land, the lines and the transmission rights on the Path 15 upgrade (Los Banos-Gates line) and seeking pre-approval of a proposed ratemaking treatment for the project participants. Those project participants are identified as WAPA, PG&E, and Trans-Elect, Inc. (Trans-Elect).

As discussed below, further evidentiary hearings on this project will be held during the summer.

During the PHC, ORA raised the issue of taking administrative notice of additional documents in Phase 4, related to the issues addressed during the February/March evidentiary hearings. The ISO and ORA will file and serve a letter describing the documents that the Commission may wish to consider, and

interested parties will have three workdays to respond. A hard copy of all the documents described in the letter should be sent via overnight mail to me and to Xuguang Leng of Energy Division.<sup>2</sup>

### **Development of Generic Methodology (Phase 5)**

The consultant developing the generic methodology to assess the economic benefits of transmission upgrades, London Economics, will have a completed product by the end of July or early August, 2002. This product will include an application of the methodology to the Path 26 short-term and longer term upgrade options discussed above.

Evidentiary hearings to evaluate this methodology, with Path 26 as the test case application, are scheduled for this fall.

### **Scope and Schedule for Further Hearings in Phase 4 (Path 15) This Summer**

The scope of further hearings this summer on Path 15 issues was discussed at some length during the PHC.<sup>3</sup> To summarize, I expect PG&E's testimony to include the following information:

- A baseline that presents the net present value (NPV) of Path 15 costs to ISO ratepayers, assuming the ratemaking treatment that PG&E would expect to request (and receive) from FERC for transmission projects sponsored in whole by an investor-owned utility. To the extent that the NPV of costs for PG&E ratepayers would be different than those allocated to ISO ratepayers as a whole, those differences should be presented.

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<sup>2</sup> The hard copies should be sent to me at 21496 National Street, Volcano, California, 95689.

<sup>3</sup> See Reporter's Transcript, pp. 265-281, 325-328.

- A comparison to the baseline that shows the NPV of Path 15 costs to ISO ratepayers that reflects the ratemaking treatment requested by the project participants in the letter agreement for the project as a whole, not just PG&E's portion. To the extent that the NPV of costs allocated specifically to PG&E ratepayers would be different than those allocated to ISO ratepayers as a whole, present those differences.
- Information with regard to the right of Trans-Elect (and other participants) to sell off firm transmission rights on Path 15, based on the specific language of the letter agreement or general expectations among project participants.

As discussed at the PHC, PG&E should meet without delay with the Office of Ratepayer Advocates (ORA) and Energy Division staff (contact: Xuguang Leng) to develop the spreadsheet format for the NPV calculations and to define the ratemaking and other assumptions that will be included in those calculations. PG&E should make the spreadsheet model fully available to ORA and Energy Division so that they can calculate NPV costs using any alternative assumptions.

The schedule for the Phase 4 evidentiary hearings this summer, is presented below.<sup>4</sup>

PG&E Direct Testimony	June 17, 2002
ORA and Intervenor Direct Testimony	July 3, 2002
Rebuttal Testimony <sup>5</sup>	July 15, 2002
List of Exhibits, Cross Estimates and Witness Availability <sup>6</sup> and Last Day to Submit Motions to Strike and Discovery Requests	July 18, 2002
Replies to Motions to Strike Due	July 22, 2002
Evidentiary Hearings	July 23-26, 2002

Evidentiary hearings will begin on Tuesday, July 23, 2002 at 10:00 a.m. For the rest of the week, hearings will begin at 9:00 a.m, and my intent is to end each of those hearing days at 1:00 p.m., without a lunch break. However, if we can reduce the total number of days of hearings by extending the day until 3:30 p.m. (with a lunch break), I may do so.

All discovery disputes should be directed to the Commission's Law and Motion Judge. I plan to rule on motions to strike on the first day of hearings, based on the written filings. There will be no opportunity for oral argument.

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<sup>4</sup> NOTE: The schedule I outlined at the PHC has been modified due to a scheduling conflict. I informed the service of this change via an electronic notice on May 16, 2002. The schedule presented above supercedes the schedule discussed at the PHC.

<sup>5</sup> PG&E may file rebuttal to ORA and Intervenor Testimony. ORA and intervenors may file rebuttal testimony in response to the testimony filed on July 3, 2002 by other parties.

<sup>6</sup> See Attachment.



### **Schedule for Briefs on Applicability of GO 131-D to Path 15**

Opening briefs on the applicability of General Order (GO) 131-D to Path 15 upgrades are due June 14, 2002. Reply briefs are due July 18, 2002. As discussed during the PHC, the briefs should include a discussion of whether the Path 15 project as a whole, irrespective of PG&E's particular participation arrangement, is subject to GO 131-D requirements.<sup>7</sup>

### **Fall Prehearing Conference on Generic Methodology and Other Planning Issues**

A further PHC this proceeding will be held at 10:00 a.m. on September 17, 2002 at the Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California. The utilities, ISO, and interested parties should file and serve PHC statements by September 11, 2002. We will address the scheduling of further evidentiary hearings on high priority transmission projects during the first quarter of 2003. In addition, we will address any additional procedural issues concerning the Phase 5 hearings, scheduled below.

In its PHC statement, SCE should state its position concerning the applicability of GO-131-D to proposed Path 26 upgrades, and whether or not there is agreement with Energy Division on this issue.<sup>8</sup>

September 11, 2002 is also the due date for parties' comments on the identification of Phase 5 methodological issues. (See below.)<sup>9</sup>

### **Schedule for Fall Hearings on Phase 5 (Generic Methodology)**

We will examine the London Economics methodology, using Path 26 upgrades as the test application, during fall hearings. This phase of the

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<sup>7</sup> RT at 272-273.

<sup>8</sup> RT at 323.

<sup>9</sup> RT at 312-313.

proceeding will focus on modeling techniques and methodology. PG&E and SCE have provided cost estimates to the ISO for the purpose of applying the methodology to a test application. However, as discussed at the PHC, specific plan of service costs for Path 26 may need to be developed and considered in a subsequent phase:<sup>10</sup> The schedule is as follows:

ISO report on London Economics methodology and SCE/PG&E report on construction cost data used in the modeling application.	August 16, 2002
Energy Division workshop on methodology	September 4 and 5, 2002
Comments to identify methodological issues	September 11, 2002
Prehearing Conference	September 17, 2002
Concurrent Direct Testimony	October 1, 2002
Concurrent Rebuttal Testimony	October 16, 2002
Motions to Strike Due; Last Day for Discovery; List of Exhibits, Cross Estimates and Witness Availability <sup>11</sup>	October 21, 2001
Replies to Motions to Strike	October 24, 2002
Evidentiary Hearings	October 28-November 1 and November 12-13

Evidentiary hearings will begin at 10:00 a.m. on the first day of hearings in the week. For the rest of the week, hearings will begin at 9:00 a.m, and my intent is to end each of those hearing days at 1:00 p.m., without a lunch break. However, if we can reduce the total number of days of hearings by extending the day until 3:30 p.m. (with a lunch break), I may do so.

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<sup>10</sup> RT at 306-323.

<sup>11</sup> See Attachment.

All discovery disputes should be directed to the Commission's Law and Motion Judge. I plan to rule on motions to strike on the first day of hearings, based on the written filings. There will be no opportunity for oral argument.

### **Access to Computer Models**

The ISO, its consultants and any parties using computer models in this proceeding shall provide access to those models pursuant to Public Utilities Code §1821-1822 and Article 17.1 of the Commission's Rules of Practice and Procedure.

### **Procedures for Filing Documents, Serving Testimony and Other Preparations for Evidentiary Hearings**

All testimony and filings in this proceeding should be served on the appearances and state service list for the consolidated service list by both electronic and US mail by the due date, unless otherwise indicated by ruling. Electronic versions of filings should be served by 6 p.m. on the date they are required to be filed. Although testimony and exhibits are not filed in the Commission Docket Office, I encourage parties to distribute those documents electronically as close as possible to the time they are placed in the mail.

Before filing pleadings or testimony in this proceeding, parties should make sure to obtain the most recent service list from the Commission's Process Office (or posted on the Commission's website). Electronic mail should be sent

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to me at meg@cpuc.ca.gov. Additional procedures for serving testimony and preparing exhibits are presented in the Attachment.

Dated May 22, 2002, at San Francisco, California.

/s/ ANGELA K. MINKIN for

Meg Gottstein  
Administrative Law Judge

## ATTACHMENT

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## PROCEDURES FOR SERVING TESTIMONY AND PREPARING EXHIBITS

### **1. Service of Exhibits**

All prepared written testimony should be served via US mail and electronically on all appearances and state service on the service list, as well as on the Assigned Commissioner's office and on the Assigned ALJ. Parties are not obligated to adopt special procedures for serving e-mail addresses that do not work or are not provided on the service list. Parties should serve testimony electronically as close as possible to the time that the testimony is placed in the mail.

Prepared written testimony should NOT be filed with the Commission's Docket Office.

**One** copy of prepared written testimony should be sent to the Assigned ALJ electronically at meg@cpuc.ca.gov and a hard copy should also be sent to each of the following locations:

- 1) ALJ Meg Gottstein  
CPUC, Room 5044  
505 Van Ness Avenue  
San Francisco, CA 94102
- 2) ALJ Meg Gottstein  
PO Box 210  
Volcano, CA 95689-0210  
(for overnight delivery **only**: 21496 National Street, Volcano, CA 95689)

### **2. Identification of Exhibits in the Hearing Room**

Each party sponsoring an exhibit should, in the hearing room, provide **one copy to the ALJ and one to the court reporter**, and have sufficient copies available for distribution to parties present in the hearing room. Exhibits shall comply with Rule 70 of the Commission's Rules of Practice and Procedure. **The upper right hand corner of the exhibit cover sheet should be blank for the ALJ's exhibit stamp.** Please note that this directive applies to cross-examination exhibits as well. If there is not sufficient room in the upper right hand corner for an exhibit stamp, please prepare a cover sheet for the cross-examination exhibit.

## **ATTACHMENT**

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#### **3. *Cross-examination With Exhibits***

Any exhibit to be used for cross-examination purposes should be served in advance on counsel for the party to be cross-examined, or at worse, served on the day of hearings before they commence (service may need to be made electronically, by overnight mail or facsimile). This cuts the amount of hearing time spent on foundational matters. While some potential cross-examination exhibits may only come to the parties' attention after the hearing has started, and short notice may be necessary in some instances, the parties are strongly encouraged to cooperate in observing this suggested procedure and not to use "surprise" as a litigation strategy.

#### **4. *List of Exhibits, Estimates of Cross-Examination and Scheduling Constraints***

Each party should provide the following information via US mail and electronic delivery to the assigned ALJ at the addresses listed above **no later than five (5) working days** prior to the start of evidentiary hearings:

- a. A list of exhibits that it intends to offer, in the approximate order they wish to have them introduced. The list should include the name of the witness and the subject or title of the document.
- b. An estimate of direct and cross-examination time that the party needs, broken down by party and by witness.
- c. A list of any schedule constraints affecting any of its witnesses.

Copies of this information should also be sent electronically to all appearances and the state service list in this proceeding. Service by US mail is optional.

#### **5. *Corrections to Exhibits***

Generally, corrections to an exhibit should be made in advance and not orally from the witness stand. Corrections should be made in a timely manner by providing new exhibit pages on which corrections appear. The original text to be deleted should be lined out with the substitute or added text shown above or inserted. Each correction page should be marked with the word "revised" and the revision date.

Exhibit corrections will receive the same number as the original exhibit plus a letter to identify the correction. Corrections of exhibits with multiple sponsors will also be identified by chapter number. For example, Exhibit 5-3-B is the second correction made to Chapter 3 of Exhibit 5.

**(END OF ATTACHMENT)**

**CERTIFICATE OF SERVICE**

I certify that I have by mail, by electronic mail to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Administrative Law Judge's Ruling Regarding Further Hearings on Path 15 this Summer and Notice of Prehearing Conference and Fall Hearings on Other Transmission Planning Issues on all parties of record in this proceeding or their attorneys of record.

Dated May 22, 2002, at San Francisco, California.

/s/ TERESITA C. GALLARDO

Teresita C. Gallardo

**N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.